



Control Number: 52937



Item Number: 2

Public Utility Commission of Texas

Commissioner Memorandum

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TO: Commissioner Will McAdams
Commissioner Lori Cobos
Commissioner Jimmy Glotfelty

FROM: Chairman Peter M. Lake

DATE: January 26, 2022

RE: January 27, 2022 Open Meeting – Project No. 52937; Item No. 12

Discussion and possible action on electric reliability; electric market development; power-to-choose website; ERCOT oversight; transmission planning, construction, and cost recovery in areas outside of ERCOT; and electric reliability standards and organizations arising under federal law

Advancement of NPRR 1092, *Reduce RUC Offer Floor and Remove RUC Opt-Out Provision*

Nodal Protocol Revision Request (NPRR) 1092, *Reduce RUC Offer Floor and Remove RUC Opt-Out Provision*, addresses the Reliability Unit Commitment (RUC) process in light of adjustments to ERCOT's practice of procuring sufficient operating reserves for daily operations. Specifically, NPRR 1092 would amend the offer floor applicable to units subject to RUC instructions and remove the ability for a resource to opt-out of RUC settlement.

NPRR 1092 is currently moving through the stakeholder process at ERCOT. Most recently, the Protocol Revision Subcommittee (PRS) voted to recommend approval of the NPRR 1092 language as modified by ERCOT comments. ERCOT staff will file an impact analysis on NPRR 1092, including estimated impacts on ERCOT operations, costs, and an implementation timeline, for consideration at the next regularly scheduled PRS meeting in February.

I am fully supportive of NPRR 1092, including the removal of the RUC opt-out, and encourage its swift approval through the ERCOT stakeholder process. Given the importance of NPRR 1092, I would like to see its approval at ERCOT's Board of Directors meeting in March. That said, I would like to discuss two issues addressed in NPRR 1092 before further stakeholder consideration.

First, I would like to discuss the appropriate RUC offer floor. The stakeholder process has acknowledged that the current \$1,500/MWh RUC offer floor represents an inefficiency given current market conditions. As originally submitted, NPRR 1092 contemplated reducing the offer floor to align with that of Non-Spinning Reserves at \$75/MWh. In the language recommended for approval by PRS, the offer floor would be further amended by a second phase modification to change the offer floor to a heat-rate multiplier of 16 times Fuel Index Price (FIP) plus \$5/MWh.

I recommend eliminating the heat-rate multiplier contemplated in the second phase and staying with the \$75/MWh offer floor. Importantly, the \$75 offer floor will still allow resources to increase offers to accommodate factors such as higher fuel prices and will also be consistent with the \$75 price floor for Non-Spinning Reserves. Additionally, sticking with this floor will allow for quicker implementation of NPRR 1092. Once ERCOT incorporates real-time co-optimization we can revisit whether a new floor based on FIP is appropriate.

Second, I would like to encourage ERCOT to prepare an impact analysis that focuses on the core intent of reducing the RUC offer floor and removing the RUC opt-out provision in the most expeditious and cost-effective manner. To keep NPRR 1092 on an accelerated approval track, the impacts of additional amendments such as those intended to address the rare circumstance where a resource self-commits after the snapshot used by the RUC process is taken and a subsequent RUC instruction is issued or any phased modifications to the RUC offer floor should be considered in a separate protocol revision. While this is a valid concern, this circumstance occurs very infrequently and can be deliberated more fully under a distinct NPRR.

The ERCOT Independent Market Monitor is the sponsor of NPRR 1092. Carrie Bivens will make herself available for any questions on this protocol revision request at the open meeting this Thursday. I look forward to discussing the issue with you then.